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# Degrees of difference: Social inequalities in graduates' job opportunities in the UK and Germany

Cristina Iannelli and Markus Klein

## Key points

- Graduates from advantaged family backgrounds are more likely to enter high-paid professional and managerial occupations than graduates from less advantaged family backgrounds and this social advantage is stronger in the UK than in Germany.
- Social background differences in graduates' occupations are partly explained by different choices of field of study in both countries. Significant social inequalities remain among UK graduates after taking into account differences in field of study and higher education institution.
- Five years after graduation, social inequalities in entering the top-level occupations are reduced in both the UK and Germany. They are not statistically significant after taking into account differences in field of study and higher education institution.

In 2011, the UK White Paper 'Opening Doors, Breaking Barriers: A Strategy for Social Mobility' recognised that 'there is a long way to go' for the achievement of a fair society in which every individual can achieve their potential, irrespective of their family circumstances (Cabinet Office, 2011:5). It also acknowledged that individuals from advantaged socio-economic backgrounds continue to be more likely to enter high-paid professional and managerial occupations than individuals from disadvantaged socio-economic backgrounds. We refer to these as 'top-level' occupations; examples include doctors, lawyers or managers in large organisations.

Research on social mobility has shown that this social advantage cannot be fully explained by differences in educational attainment. Children with more educated parents or parents in professional jobs are more likely to get better jobs than children from less advantaged families who achieved the same levels of education. Focusing on higher education graduates, our study



There are significant social inequalities among UK graduates. © Flickr, Andree Ludtke.

analysed the possible factors behind the persistence of unequal labour market outcomes. By comparing the UK and Germany the study also examined the role that national institutional systems have in shaping the transition from higher education to the labour market.

## UK vs. Germany

**Students with less educated parents enter higher education more frequently in the UK than in Germany**

In Germany pupils are selected into different school tracks early (commonly at the age of

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AQMeN is a Research Centre developing a dynamic and pioneering set of inter-disciplinary projects to improve understanding of current social issues in the UK.

10) in most *Länder* or regions. Only those students who obtain the *Abitur*, the upper-secondary school graduation certificate, can access higher education. A high proportion of them (about one-third), however, prefer to enter an apprenticeship programme and this leads to only a highly selected group of secondary school students actually entering the higher education system.

In the UK, secondary education mostly comprises comprehensive schools where pupils are taught together until the age of 16. There are no formal restrictions to accessing upper-secondary education after compulsory schooling and access to higher education is less selective than in Germany. Recent OECD figures show that 55% of people at the typical graduation age graduate from university degree programmes in the UK, in contrast to only 30% in Germany (OECD, 2013: 56).

In the REFLEX data the percentage of graduates in the UK who originate from parents with lower educational attainment (55%) is substantially larger than in Germany (32%). This reflects the higher selectivity of the German education system.

### **UK graduates achieve top-level occupations in their first job less frequently than German graduates but they catch up five years after graduation**

Linkages between higher education and occupational destinations are more pronounced in Germany than in the UK. In Germany, employers strongly rely on labour market entrants' educational qualifications in their hiring decisions. Entry into professions and the high ranks of the public sector is strongly linked to university education. The UK has a less 'credentialist' tradition than Germany. Employers tend to fill highly-skilled vacancies from the existing pool of employees and each profession has their system of self-training and self-certification. Even for access to managerial positions, qualifications tend to be less important in the UK than in the German labour market.

Due to these differences, competition among graduates is expected to be lower in Germany than in the UK and the capacity of educational qualifications to signal applicants' competences is likely to be weaker in the UK than in Germany.

The REFLEX data show that 25% of graduates in the UK achieve top-level occupations in their first jobs, compared to 31% in Germany. However, 5 years later, UK graduates have caught up with their German counterparts with 31% in top-level occupations in the UK and 32% in Germany.

#### **Box 1: REFLEX data**

We use data from the large-scale European survey 'Research into Employment and Professional Flexibility' (REFLEX) (Allen & Van der Velden 2007). This survey interviewed individuals, who graduated from higher education institutions in 1999/2000, five years after their graduation in 16 European countries. It contains detailed and comparable information about graduates' socio-economic background, their studies, labour market entry and current labour market situation five years after graduation.

### **Social origin and graduates' occupation at labour market entry**

#### **Family background has a stronger influence on access to top-level occupations in the UK than in Germany**

There is much more leeway for graduates' family background to play a role in job allocation in the UK than in Germany. There are two reasons for this. First, a higher education qualification is a more reliable indicator of future productivity for employers in the German context than in the UK context. More people have degrees in the UK, and holding a degree may not be a sufficient distinguishing feature anymore.

Second, since the link between education and jobs is weaker in the UK than in Germany, graduates in the UK may find it harder to gain access to top-level occupations at the beginning of their career. In such a situation graduates from advantaged socio-economic backgrounds may benefit from parental social networks or their social skills, habits or manners directly transmitted in their upbringing.

#### **Study aims**

Our study had three main aims. First, we aimed to establish whether there was a difference between graduates from more and less advantaged social backgrounds in terms of attaining high professional and managerial occupations as their first job and, if so, whether this could be explained by their choice of institution or their field of study. Second, we aimed to establish whether any difference remained when looking at attainment of a top-level occupation within five years of graduation. Third, we wanted to establish whether a stronger relationship between socio-economic background and graduates' early occupational positions exists in the UK than in Germany.

## Study findings

Figure 1 shows the percentage point difference between graduates from more advantaged and less advantaged social backgrounds (as measured by parental education) in the probability of having attained a top-level occupation as their first job, comparing Germany and the UK. The 'Gross social gap' shows the extent of social inequalities in reaching the top-level occupations in the two countries. In the UK, graduates with 'both parents with higher education' have a probability of attaining top-level occupations in their first job that is 18 percentage points higher than the probability for graduates with 'no parent with higher education'. For Germany, we also observe social inequalities among graduates but at 10 percentage points this is much smaller than in the UK.

**Differences between graduates from different parental backgrounds are partly explained by different choices of field of study in both countries, more so in Germany than in the UK.**

One explanation for the difference in the probability of entering high professional and managerial occupations among graduates from different socio-economic backgrounds may be related to different choices and experiences in higher education, as students from higher

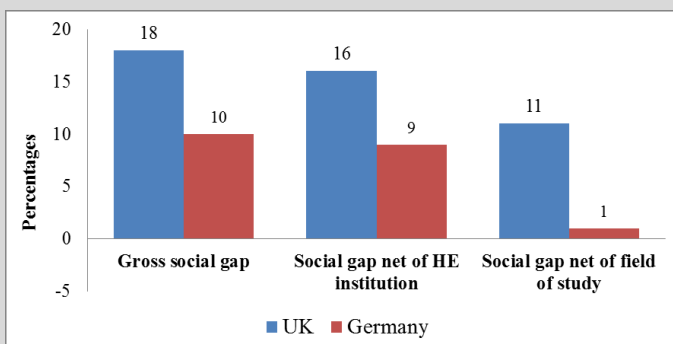
socio-economic groups are more likely to enter more 'prestigious' institutions and enrol in different fields of study than students from disadvantaged backgrounds (Iannelli, Gamoran, and Paterson, 2011; Van de Werfhorst, Sullivan, and Cheung, 2003).

Therefore, we looked at the extent to which differences between graduates from more and less advantaged social backgrounds were explained by their choices in higher education.

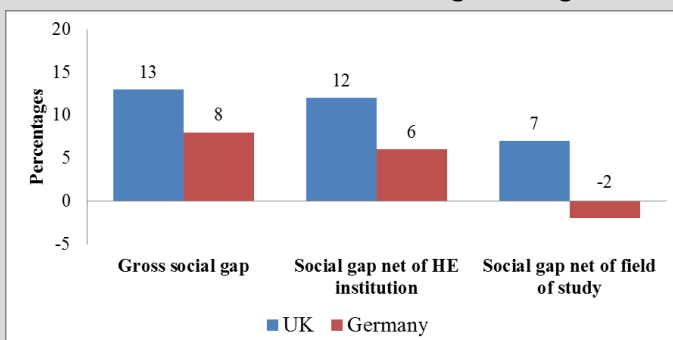
Looking again at figure 1, the 'Social gap net of HE institution' shows that the 'type of HE institution' attended explains very little of the difference in the chances of entering a top-level occupation between graduates with more or less educated parents (only 2 percentage points in the UK and 1 in Germany). By contrast, the 'Social gap net of field of study' shows that choice of study area explains a much larger proportion of these social differences (7 percentage points in the UK and 9 in Germany). In other words, graduates from advantaged socio-economic backgrounds choose fields of study that lead to better jobs more frequently than graduates from less advantaged socio-economic backgrounds.

**Significant social inequalities remain among UK graduates after taking into account differences in choice of field of study and higher education institution.**

**Fig1: % point difference in the probability of attaining top-level occupations at first job between graduates from more and less advantaged backgrounds**



**Fig2: % point difference in the probability of attaining top-level occupations 5 years after graduation between graduates from more and less advantaged backgrounds**



In Germany the choice of field of study explains all of the social differences among graduates in entering high professional and managerial jobs, while in the UK a substantial social gap remains. We tested whether this remaining effect of parental education could be accounted for by differences in HE attainment (i.e. whether graduates obtained a first-class, second-class or third-class degree) or in postgraduate studies. However our results showed that even after taking into account these factors, graduates from highly educated parents continue to have a significant advantage in entering top-level occupations.

**Social origin and graduates' occupation five years after graduation**

**Five years after graduation, social inequalities in the chances of entering the top-level occupations are reduced and they do not differ significantly anymore in the UK when taking into account HE experiences.**

We repeated the analysis to examine percentage point difference in the probability of being in a top-level job for these two groups of graduates five years after

graduation. Figure 2 shows that the 'Gross social gap' is smaller which means that socio-economic differences in accessing top-level occupations reduce over time.

In the UK, differences between graduates from different parental backgrounds do not significantly differ in this later career stage when taking into account the type of institution attended and field of study. This result can be explained by graduates' accumulated resources such as work experience or firm-based training that are directly observable by employers. Hence, employers decreasingly need to consider 'proxies' for individual productivity (such as social background factors) since they can rely on more direct information on job performance. In turn, parental resources such as social networks or social skills and manners, are less likely to play a role at a later stage than at labour market entry.

### Conclusions

This research shows that, at the time of labour market entry, graduates from advantaged social backgrounds are more likely to enter top-level occupations than graduates from less advantaged social backgrounds. This relationship has been found to be stronger in the UK than in Germany. We have argued that the higher competition among graduates and the lack of tight links between higher education qualifications and occupations in the UK leave more space for social inequalities to emerge, especially at the time of labour market entry. Indeed, while graduates' differences are fully explained by the choice of field of study in Germany, a considerable socio-economic gap remains unexplained in the UK. This possibly hints at a less meritocratic selection process in the UK than in Germany.

The expansion of the HE system has opened up opportunities to gain a degree to people previously excluded but risks being ineffective in promoting social mobility if

labour market opportunities are still biased towards the most advantaged social groups. On the positive side, our findings show that five years after graduation social inequalities in the chances of entering high professional and managerial occupations diminish in both countries. Moreover, the remaining gap is primarily explained by the choice of field of study. This suggests that, in the long-run, employers are more likely to rely on more meritocratic criteria in the allocation of top-level occupations thanks to the availability of information about individuals' work performance and experience.

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This Research Briefing draws on a paper written with Professor Marita Jacob, University of Cologne, entitled 'The Impact of Social Origin on Graduates' Early Occupational Destinations – An Anglo-German Comparison.'

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